

Berlin Orange Fire Department

Financial Statements
With Supplemental Information
March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Berlin-Orange Fire Department	County Ionia
Fiscal Year End 03/31/06	Opinion Date 11/22/06	Date Audit Report Submitted to State 01/05/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

 **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None Issued		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Biggs, Hausserman, Thompson & Dickinson PC		Telephone Number 616-642-9467		
Street Address 356 E Main		City Saranac	State MI	Zip 48881
Authorizing CPA Signature 		Printed Name Steven R Thompson		License Number 1101012375

Berlin Orange Fire Department

March 31, 2006

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Independent Auditor's Report

To the Fire Board
Berlin-Orange Fire Department
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund of Berlin-Orange Fire Department as of and for the year ended March 31, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Berlin-Orange Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of Berlin-Orange Fire Department as of March 31, 2006 and respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Fire Department has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of April 1, 2005.

The budgetary comparison information on page 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Berlin-Orange Fire Department has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Biggs Hausserman, Thompson + Dickinson

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 22, 2006

Berlin Orange Fire Department

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS March 31, 2006

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 7,419	\$ 0	\$ 7,419
Capital Assets (Net of Accumulated Depreciation)	0	138,302 ⁽¹⁾	138,302
Total Assets	<u>7,419</u>	<u>138,302</u>	<u>145,721</u>
LIABILITIES			
Accounts Payable	\$ 0	\$ 0	\$ 0
Noncurrent Liabilities:			
Due within one year	0	18,854 ⁽²⁾	18,854
Due in more than one year	0	29,634 ⁽²⁾	29,634
Total Liabilities	<u>0</u>	<u>48,488</u>	<u>48,488</u>
FUND BALANCE/NET ASSETS			
Fund Balances			
Unreserved/Undesignated	7,419	(7,419)	0
Reserved	0	0	0
Total Fund Balance	<u>7,419</u>	<u>(7,419)</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 7,419</u>		
Net Assets			
Invested in Capital Assets-Net of Related Debt		89,814	89,814
Restricted		0	0
Unrestricted		7,419	7,419
Total Net Assets		<u>\$ 97,233</u>	<u>\$ 97,233</u>

(1) Capital assets used in governmental activities are not financial resources and are not reported in the governmental (general) fund.

(2) Non-current liabilities applicable to the Department's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long term- are reported in the statement of net assets.

Berlin Orange Fire Department

STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

	General Fund	Adjustments	Statement of Activities
Revenues			
Township of Berlin	\$ 46,451	\$ 0	\$ 46,451
Township of Orange	46,000	0	46,000
Interest on investments	28	0	28
Miscellaneous	65	0	65
Total revenues	<u>92,544</u>	<u>0</u>	<u>92,544</u>
Expenditures			
Capital outlay	2,798	(2,798) ⁽¹⁾	0
Depreciation	0	19,414 ⁽¹⁾	19,414
Equipment and supplies	11,631	0	11,631
Gas and oil	3,454	0	3,454
Insurance	14,648	0	14,648
Interest on Long-Term Debt	2,675	0	2,675
Miscellaneous	800	0	800
Payroll	20,529	0	20,529
Principle on Long-Term Debt	18,068	(18,068) ⁽²⁾	0
Property maintenance	2,491	0	2,491
Repairs and maintenance-equipment	4,885	0	4,885
Taxes	2,799	0	2,799
Utilities	3,003	0	3,003
Total expenditures	<u>87,781</u>	<u>(1,452)</u>	<u>86,329</u>
Excess (deficiency) of revenues over expenditures/Change in net assets	4,763	(1,452)	3,311
Fund balance/net assets, March 31, 2005	<u>2,656</u>	<u>91,266</u>	<u>93,922</u>
Fund balance/net assets, March 31, 2006	<u>\$ 7,419</u>	<u>\$ 89,814</u>	<u>\$ 97,233</u>

(1) Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This amount represents current year depreciation expense on capitalized assets.

(2) Repayment of note payable principal is reported as an expenditure in the governmental (general) fund and, thus, has the effect of reducing fund balance because current financial resources have been used. For the Department as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Berlin Orange Fire Department

Notes to Financial Statements

March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Berlin-Orange Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Fire Department:

Reporting Entity

The Berlin-Orange Fire Department was organized in 1973 by the Township of Berlin and the Township of Orange, Ionia County, Michigan to provide fire protection for their respective townships. The department is governed by a Fire Committee consisting of six members, three from each Township.

The department is funded primarily by contributions from the two Townships. The current agreement between the two townships expires November 30, 2007. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Fire Department's reporting entity, and which organizations are legally separate, component units of the Fire Department. Based on the application of the criteria, the district does not contain any component units.

Government-Wide and Fund Financial Statements

The governmental-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Department's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Berlin Orange Fire Department

Notes to Financial Statements

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds). These statements are presented as separate columns on pages 3 and 4.

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Fire Department reports the following major governmental funds:

The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department.

Berlin Orange Fire Department

Notes to Financial Statements

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Fire Department does not have infrastructure type assets.

Buildings, equipments, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Furniture and other equipment	5-20 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change – Effective April 1, 2005, the Fire Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic financial Statements- and Management's Discussion and Analysis-for State and Local Governments* (GASB No. 34). Changes to the Librarys' financial statements are as a result of GASB No. 34 are as follows:

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$138,302 previously required to be reported in the General Fixed Assets Account Group.

Berlin Orange Fire Department

Notes to Financial Statements

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications – Comparative data is not included in the Fire Department's financial statements.

Use of Estimates - The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Fire Department to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – The Fire Department did not have significant expenditure budget variances.

Note 3 – Deposits and Investments

At year-end, the Fire Department's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental
	Activities
Cash and cash equivalents	<u>\$ 7,419</u>

The breakdown between deposits and investments for the Fire Department is as follows:

Deposits (checking and savings accounts, certificates of deposit)	<u>\$ 7,419</u>
Total	<u>\$ 7,419</u>

The deposits of the Fire Department were reflected in the accounts of the Financial Institution at \$7,419, of which \$7,419 is covered by federal depository insurance.

Berlin Orange Fire Department

Notes to Financial Statements

March 31, 2006

Note 3 – Deposits and Investments (Continued)

State statutes and the Fire Department's investment policy authorize the Fire Department to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the Fire Department is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the same time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Fire Department's deposits are in accordance with statutory authority.

Note 4 – Capital Assets

Capital asset activity of the Fire Department Governmental activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Capital assets being depreciated:				
Land And Buildings	\$ 59,235	\$ 0	\$ 0	\$ 59,235
Furniture and equipment	559,925	2,798	0	562,723
Subtotal	619,160	2,798	0	621,958
Accumulated depreciaton:				
Land And Buildings	53,266	314	0	53,580
Furniture and equipment	410,976	19,100	0	430,076
Subtotal	464,242	19,414	0	483,656
Net capital assets	\$ 154,918	\$ (16,616)	\$ 0	\$ 138,302

Depreciation expense of \$19,414 was charged to activities of the Fire Department.

Berlin Orange Fire Department

Notes to Financial Statements

March 31, 2006

Note 5– Lease Payable

On August 23, 2002, the Fire Department entered into a lease/purchase agreement for a new fire truck. This agreement has been reported as a capital lease with the cost of equipment and original debt recorded at \$108,175.

The agreement requires twelve semiannual payments beginning at March 23, 2003 in the amount of \$10,371 including interest at 4.27%.

Lease payable at March 31, 2006 is comprised of the following:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06	Due within one year
Lease Payable	\$ 66,556	\$ 0	18,068	\$ 48,488	\$ 18,854
Totals	<u>\$ 66,556</u>	<u>\$ 0</u>	<u>\$ 18,068</u>	<u>\$ 48,488</u>	<u>\$ 18,854</u>

The annual requirements to amortize long-term debt outstanding as of March 31, 2006, including interest payments are as follows:

	Lease Payable
2007	\$ 20,743
2008	20,743
2009	10,616
Total	<u>\$ 52,102</u>

Note 6 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Fire Department has purchased commercial insurance for all risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Berlin Orange Fire Department

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variances
Revenues				
Township of Berlin	\$ 48,706	\$ 48,706	\$ 46,451	\$ (2,255)
Township of Orange	48,706	48,706	46,000	(2,706)
Interest on investments	0	0	28	28
Miscellaneous	0	0	65	65
Total revenues	<u>97,412</u>	<u>97,412</u>	<u>92,544</u>	<u>(4,868)</u>
Expenditures				
Capital outlay	2,350	2,350	2,798	(448)
Equipment and supplies	11,519	11,519	11,631	(112)
Gas and oil	2,500	2,500	3,454	(954)
Insurance	17,000	17,000	14,648	2,352
Interest on Long-Term Debt	2,634	2,634	2,675	(41)
Miscellaneous	1,500	1,500	800	700
Payroll	25,000	25,000	20,529	4,471
Principle on Long-Term Debt	18,108	18,108	18,068	40
Property maintenance	4,500	4,500	2,491	2,009
Repairs and maintenance-equipment	5,000	5,000	4,885	115
Taxes	4,000	4,000	2,799	1,201
Utilities	2,800	2,800	3,003	(203)
Total expenditures	<u>96,911</u>	<u>96,911</u>	<u>87,781</u>	<u>9,130</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 501</u>	<u>\$ 501</u>	4,763	<u>\$ 4,262</u>
Fund balance, March 31, 2005			<u>2,656</u>	
Fund balance, March 31, 2006			<u>\$ 7,419</u>	